
**Financial Institutions &
Insurance Committee**

HB 1805

Brief Description: Modifying provisions of the linked deposit program.

Sponsors: Representatives P. Sullivan, Hasegawa, Linville, Pettigrew, Hankins, Kessler, Simpson, Ormsby, Kilmer, Schual-Berke and Eickmeyer; by request of Governor Gregoire.

Brief Summary of Bill

- Increases the amount of funds available from \$50 million to \$100 million.
- Moves monitoring functions from the Department of Community Trade and Economic Development to the Office of Minority and Women's Business Enterprises.
- Prevents the Treasurer from giving a discount to a state depository when the interest rate on certificates of deposit are less than two percent.
- Repeals sunset provisions.

Hearing Date: 2/16/05

Staff: Jon Hedegard (786-7127).

Background:

The Linked Deposit Program was created in 1993. The stated purpose of the program is to increase access to business capital for the state's certified minority-owned and women-owned businesses. Under the program, certified businesses can obtain reduced interest rate loans from participating financial institutions.

The State Treasurer is authorized to use up to \$50 million of short-term state treasury surplus funds. These funds are deposited with public depositories as certificate of deposits on the condition that the public depository make "qualifying loans" under the program. These funds are used to purchase certificates of deposit (CDs) equaling the total amount of money loaned to certified business. The state forgoes up to two percent in interest on the CDs and passes along the savings to the public depository with the condition that the depository reduces up to two percent in the interest rate for the loan recipients.

Qualifying loans are loans:

- made to certain minority or women's business enterprises;
- for a period not to exceed 10 years;
- at an interest rate that is at least two percentage points below the market rate that normally would be charged for a loan of that type; and
- with points or origination fees are limited to one percent of the loan principal.

To be eligible the applicant must:

- be a minority and/or a women;
- have at least 51% of ownership of the business; and
- control the business.

Three state agencies are involved in the program. The State Treasurer established the program. The Department of Community Trade and Economic Development (CTED) monitors the program. The Office of Minority and Women's Business Enterprises (OMWBE) certifies the eligibility of the businesses.

The program is schedule to sunset on June 30, 2008.

Summary of Bill:

The amount of funds that the State Treasurer may use in the program is increased from \$50 million to \$100 million.

The monitoring of the program is moved from CTED to the OMWBE.

The State Treasurer is prevented from giving a discount to a depository when the effective interest rate on certificates of deposits is less than two percent.

The sunset provisions for the program are repealed.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.